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INTRODUCTION

In accordance with the City Auditor's 1990-91 Audit Workplan, we have reviewed the Planning Department's Special Handling process. We conducted this audit in accordance with generally accepted government auditing standards and limited our work to those areas specified in the Scope and Methodology section of this report.

BACKGROUND

Historically, the City of San Jose encouraged selected development projects that could generate important economic benefits. However, until 1987, the City did not have a formal policy regarding which projects should receive special treatment, nor any specific administrative procedures for those projects deemed to be economically desirable.

The Economic Development/Image Board (EDIB) recognized that the City needed to be efficient and responsive in order to attract desirable economic development projects to San Jose. The EDIB felt that a formal process helping large firms offering substantial employment opportunities, economic linkage, and positive fiscal impacts would contribute significantly to the overall health of the local economy.

In May 1987, the EDIB and the City Manager's Office approved the formal Special Handling criteria and procedure for recommendation to the City Council. The Special Handling criteria and procedure were intended to improve San Jose's image by supporting and helping large developers process their applications through City departments. Also, by expediting the processing of developer applications, the City would collect taxes sooner, employment and local investment would increase, and economic growth would be enhanced. On June 23, 1987, the City Council adopted Policy #6-17 which established the criteria for selecting Special Handling projects.

Special Handling Projects Processed From 1987 Through 1990

The designation and processing of Special Handling projects started in 1987. The Planning Department is responsible for administering the Special Handling process. From 1987 through 1990, the Planning Department processed 73 Special Handling applications. TABLE I shows the number of Special Handling applications for each of the four years that the process has been in existence. As shown in the table, there was a significant increase in the number of Special Handling applications in 1989. The Planning Department indicated that this increase was due mainly to the filing of applications that related to major qualifying projects initiated in prior years. Major development projects may involve several applications that span multiple years.

TABLE I
SPECIAL HANDLING PROJECT APPLICATIONS

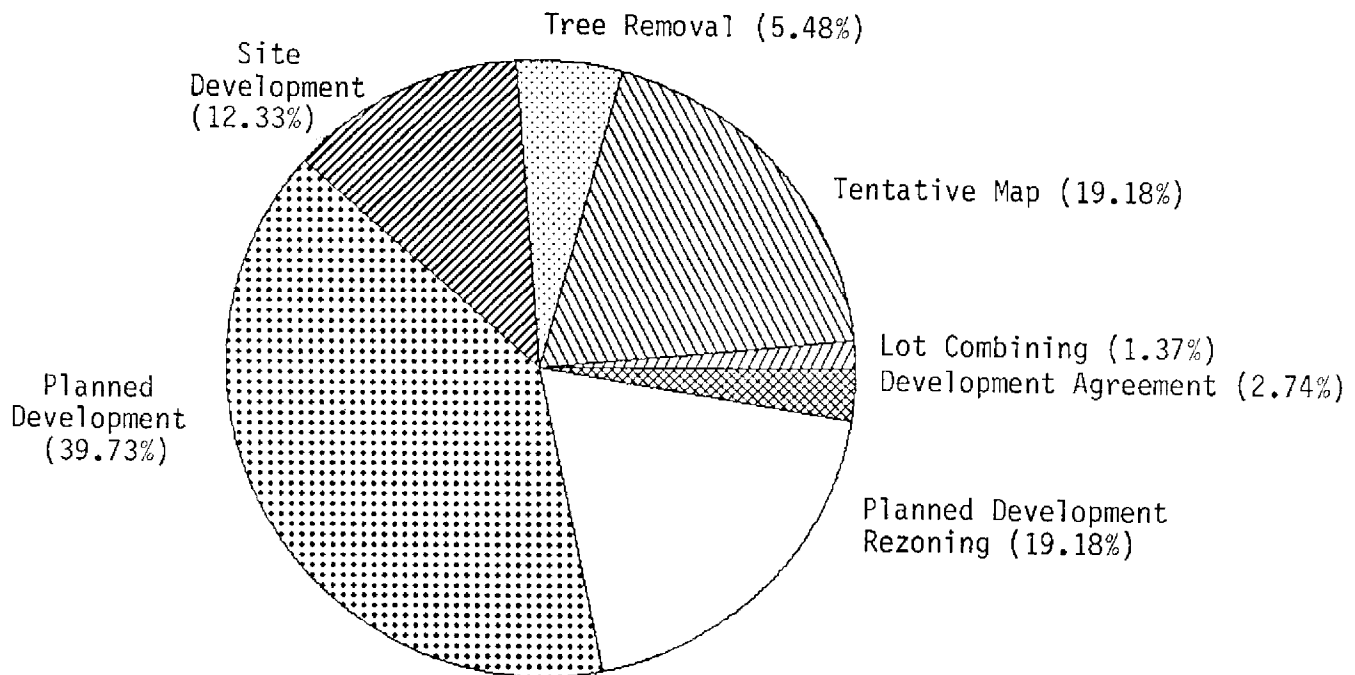
Year	Number
1987 ¹	5
1988	7
1989	25
1990	36
TOTAL	73

¹ Five months only.

Types Of Special Handling Project Applications

Various types of Planning Department project applications qualify for Special Handling. CHART I identifies the percent of project applications for each type from 1987 through 1990.

CHART I
PERCENT OF SPECIAL HANDLING PROJECT APPLICATIONS BY TYPE



As shown in Chart I, four types of project applications accounted for more than 90% of the Special Handling applications processed from 1987 through 1990. These four types of project applications are:

1. Planned Development Rezoning (14 applications)

Planned Development Rezoning is a procedure that designates a new zone classification for a property. A zone is an area within which certain uses of land and buildings are permitted and certain minimum performance and development standards are set forth.

2. Planned Development Permit (29 applications)

A Planned Development Permit is a process that reviews site design, landscaping, architecture, parking, and space relationships of the project and the project's compatibility with adjacent development.

3. Tentative Map (14 applications)

A Tentative Map (or Tentative Parcel Map) is a map showing the design of a proposed subdivision and the conditions in and around the site. A Tentative Map is required for any subdivision of land.

4. Site Development Permit (9 applications)

A Site Development Permit is a permit that must be acquired prior to the construction or exterior alteration of any building other than a detached single-family residence within any zoning district except Planned Development. The Site Development Permit process reviews site design, landscaping, architecture, parking, and space relationships of the project and the project's compatibility with adjacent development.

Program Accomplishments

In APPENDIX D, the Planning Department informs us of its major accomplishments in the administration of the Special Handling process. According to the Director of Planning, the Department reviewed and approved a substantial amount of new development, representing a significant benefit to the City's tax base and housing supply. The memorandum lists the following quantities of development resulting from 81 applications² reviewed and approved under the Special Handling process:

Industrial Projects -	3,242,000 square feet of floor area in office, research and development, and industrial development projects;
Commercial Projects -	300,000 square feet of floor area in commercial development projects; and
Residential Projects -	5,500 dwelling units.

² The scope of our audit included applications processed through December 31, 1990, representing 73 completed applications. According to the Planning Department, eight other applications have been processed since that date.

SCOPE AND METHODOLOGY

We reviewed the Planning Department's Special Handling process for compliance, efficiency, effectiveness, and timeliness. We observed daily operations within the Planning Department and interviewed staff and management personnel. We reviewed the Planning Department's files on 27 of the 73 Special Handling applications processed from 1987 through 1990 for documentation of compliance with City Council Policy and City administrative procedures.

We conducted interviews with City offices and departments that interact with the Planning Department when processing Special Handling applications. These included City Manager's Office, Fire, Public Works, Neighborhood Preservation, Recreation, Parks and Community Services, Housing, and the Redevelopment Agency. We contacted development project applicants to learn about their perceptions of the Special Handling process. We also surveyed City Councilmembers to determine how they felt the process should work, what benefits the applicant should receive, and what information they need to keep properly apprised of project status.

We contacted representatives from nine California jurisdictions. These included the cities of San Diego, San Bernardino, Anaheim, Corona, Riverside, Los Angeles, Milpitas, Sacramento, and San Francisco. Based on our interviews with representatives of those jurisdictions, we found that the City of San Jose is unique in the application of the Special Handling process, as well as in the use of processing time standards and objectives.

Finally, we compared the processing times of the Planning Department's Special Handling applications to the Department's 1990 processing time standards, as well as to the 1990 average completion times of all applications.

FINDING I

ADMINISTRATIVE CHANGES COULD MAKE THE SPECIAL HANDLING DESIGNATION FOR DEVELOPMENT PROJECTS MORE MEANINGFUL

On June 23, 1987, the San Jose City Council determined that development projects which could be of special importance to the City's image and economic well-being should be identified to receive special handling by selected high-level management and professional staff members. Implicit in the Council's determination is an expectation that the City Administration will give those development projects designated as Special Handling extraordinary attention as a means of expediting their completion. However, our review of the City's Special Handling process revealed that the Council's expectations do not match the practice currently used to process Special Handling applications. Specifically, we found the following regarding the Administration's Special Handling process:

- Special Handling designations were given to projects that may not qualify;
- There is no formal evaluation process for identifying projects that qualify for Special Handling status;
- There is no formal complaint process for Special Handling projects;
- The status of Special Handling projects is not adequately communicated to the City Council; and
- The Planning Department has not established more stringent processing time standards for Special Handling projects.

As a result, designating a development project as Special Handling is not as meaningful as it should be.

**City Council Policy #6-17 - Criteria
For Special Handling Of Development Projects**

On June 23, 1987, the City Council adopted Policy #6-17 which sets forth the criteria by which projects would be identified to receive special handling. APPENDIX B shows the complete text of this policy.

Policy #6-17 lists five criteria for identifying the development projects that are to be included in the Special Handling process. To qualify for Special Handling, a project must meet the first two of the following criteria and at least one of the other three:

1. The project must be user-built or built-to-suit for an identified private sector user or public agency. Speculative development proposals might be eligible for Special Handling under the terms of No. 5 below.
2. The future land user (whether private sector or public agency) must provide to the City a letter indicating strong interest in occupying the project.
3. If the project is a private sector development, it will generate or retain at least 500 jobs in San Jose. It is to ensure meeting this criterion that speculative development proposals would not normally be considered.
4. If the project is a public sector development, it will directly benefit a substantial portion of San Jose's citizens or will have a highly favorable impact upon the City's image.

5. Exceptions may be granted to the above criteria for projects found to specifically support the City's economic development objectives, meet critical public needs, or help meet General Plan goals which otherwise remain unmet. Such projects must be found to represent at least three of the following development characteristics:

- Projects that substantially improve the City's image or provide important cultural benefits;
- Quality hotel and retail development;
- Projects of large corporate users providing jobs in targeted industries;
- Projects structured to provide specific socioeconomic or employment impacts;
- Projects that provide support for existing development; and
- Location of projects in the San Jose Enterprise Zone.

Planning Department's Special Handling Procedure

The Planning Department is responsible for administering the Special Handling process. The procedure for administering the process was first spelled out in a letter from the City Manager in May 1987. This procedure has been revised three times, with the most recent revision being made in November 1990. APPENDIX C shows the complete text of the current procedure.

The purpose of the Special Handling Procedure is to provide a process which ensures that certain major development projects are given the priority attention and support necessary to work out special problems or processing obstacles associated with these projects. The Planning Department follows

this procedure to process those projects which meet the City Council's criteria for Special Handling. A summary of the procedure is as follows:

1. The Director of Planning recommends Special Handling designation to the City Manager who determines whether or not a project merits Special Handling.
2. When filed, the application receives a special "SH" file designator.
3. Either before the application is filed or upon being filed, the Director of Planning notifies all involved parties and advises them of the Special Handling designation.
4. The Special Handling application is assigned to a project coordinator and an environmental review coordinator whose skills, abilities, and experience are appropriate to the efficient processing of the application.
5. The coordinators, supervisors, and managers give top priority to the Special Handling application.
6. The Special Handling application is taken to Project Review Committee and Environmental Review Committee within 30 days of filing. The applicant receives comments, in writing, within 30 days of filing.
7. The project coordinators present progress reports at the weekly Planning Department staff meetings.
8. The Director of Planning provides monthly status reports to the City Manager and the Deputy City Manager, noting special problems, issues, and progress in the process.
9. Copies of the staff report and recommendations are made available to the applicant five days prior to Planning Commission hearing. For a Special Handling application subject to Planning Director's hearing, a copy of the draft permit is made available to the applicant the day prior to the hearing, and the permit is signed within 24 hours of the conclusion of the hearing.

10. The Planning Director notifies the City Manager and Deputy City Manager when processing is completed and the Special Handling application has been approved.

**Special Handling Designations Were
Given To Projects That May Not Qualify**

Our test of the Planning Department's compliance with City Council Policy #6-17 and the City's administrative procedures revealed that the Department gave a Special Handling designation to projects that may not qualify. Specifically, we reviewed the Planning Department's files for 27 of the 73 Special Handling applications processed from 1987 through 1990 and found that 11 (41%) of the 27 Special Handling applications did not have sufficient documentation on file to support a Special Handling designation. As a result, the Planning Department may not be in compliance with the requirement that Special Handling be limited to those projects that meet Policy #6-17 criteria.

APPENDIX G lists the projects that lacked adequate documentation to justify a Special Handling designation. Of the 11 applications, 6 did not have documentation on file to show compliance with City Council Policy #6-17 Criterion #2 that calls for a letter from the future land user to the City indicating strong interest in occupying the project. The other five applications did not have documentation to show compliance with any of the five Special Handling Policy criteria.

In approving City Council Policy #6-17, the City Council did not intend to have a large number of projects treated as Special Handling. The

Council Policy states, *“It is likely that only a few projects each year will be of sufficient benefit to the City that they will warrant special handling.”*

Furthermore, when the City Auditor surveyed City Councilmembers in connection with this audit, all the Councilmembers who responded to the survey indicated the need to restrict Special Handling status to only those projects that meet the criteria in Policy #6-17. Accordingly, the Department should fully document that a project complies with the criteria in Policy #6-17 before giving the project a Special Handling designation.

**There Is No Formal Evaluation Procedure
For Identifying Projects That Qualify
For Special Handling Status**

According to City Council Policy #6-17, *“Projects which are determined to meet the [Special Handling] criteria will receive special handling.”* (Emphasis added). Our review disclosed that the Planning Department does not have a formal process for identifying projects that meet the criteria in Policy #6-17. Furthermore, the Department does not have standard documentation to show that all projects submitted to the Department have been evaluated for Special Handling eligibility. Consequently, the Planning Department cannot ensure that all projects that satisfy the criteria in Policy #6-17 are designated as Special Handling.

Current Planning Department procedures include a development review process. The Planning Department’s description of the preliminary review phase of this process states, *“Informal submittals (often in the form of a sketch of the site or an Assessor’s Parcel Number map for a general inquiry) are reviewed in weekly staff meetings for collective input and*

ideas.” According to Department management, it is in this phase of the process that a potential Special Handling project will most likely be identified. Other sources of Special Handling recommendations include Planning Department staff, who become aware of a potential Special Handling project during the course of their work, and other departments, such as the Redevelopment Agency, the Department of Housing, and the Office of Economic Development.

The Planning Department does not use a checklist or other standardized form to document the evaluation of projects for Special Handling status. As a result, it is not possible to know if a project was evaluated for Special Handling, who did the evaluation, and why the project was adjudged as qualifying or not qualifying in Special Handling status.

In our opinion, the Planning Department’s screening process for Special Handling projects can be improved to ensure that all projects are evaluated consistently and fairly. Specifically, the Department should develop and use a checklist or other standardized form to document the evaluation of a project for Special Handling. The Department should include such a checklist or other standardized form with each project file to show that all projects have been properly evaluated for Special Handling eligibility.

**There Is No Formal Complaint Process
For Special Handling Projects**

The Planning Department does not have a formal complaint process to resolve citizen grievances or dissatisfaction relating to Special Handling

applications. City Council Policy #0-18 (APPENDIX I), which provides guidelines in the handling of citizen complaints, requires City departments to develop their specific procedures for responding to citizen complaints. City Council Policy #0-18 states:

Because the types of complaints received throughout the City vary widely, the manner in which the guidelines for responding to the complaints are incorporated into departmental response procedures will also vary. As a result, specification as well as implementation of these guidelines will be the responsibility of each department. Each department will also be responsible for designating an initial contact person to receive complaints and referrals from other departments.

The Planning Department has not developed procedures to respond to complaints in general and to complaints relating to Special Handling projects in particular. This lack of a formal complaint resolution process may discourage some applicants from submitting for approval the type of projects that City Council Policy #6-17 is intended to encourage in San Jose.

The Planning Department's procedures for handling complaints are, at best, informal. According to Department management, the Department orally responds to citizen complaints unless the complaints are significant. The Department designates a project coordinator for each development project. This project coordinator normally receives and informally responds to complaints. If the project coordinator cannot handle the complaint, he or she refers it to his or her immediate supervisor, and so on, up the chain of command.

The major drawback of the Department's informal complaint resolution process is that the project coordinator is the person with whom the applicant would have to initially file a complaint. As the person in charge of

reviewing the Special Handling application, the project coordinator may not have the objectivity required to respond to the applicant's complaint. Furthermore, the applicant may not feel comfortable filing a complaint with the project coordinator because he or she have direct power over the applicant's project. As a result, the Planning Department informal complaint resolution process may not result in legitimate complaints being elevated to highly placed Department officials who can resolve the complaint and expedite the Special Handling project.

An applicant that we contacted during the audit indicated that he felt that his project was taking too long. He believed that the size and complexity of the project intimidated the City departments that were reviewing his applications. According to the applicant, *"They didn't want to make a mistake, therefore they took longer than normal to make a decision."* He stated that a coordinator from the City Manager's Office was assigned to the project, but that this coordinator was not active in the early stages of the project. However, when issues and complaints began to mount and *"more pressure was applied"*, the coordinator started to take an active role in the process. After the coordinator got involved, the project started to move forward.

The case described above underscores the need for an independent coordinator, of sufficient administrative stature, to oversee the processing of Special Handling projects through the Planning Department and other City departments. Such a person would be the initial contact person for filing any complaints, grievances, or dissatisfaction regarding Special Handling applications. By formalizing the Planning Department's complaint

resolution process and designating a coordinator of sufficient administrative stature, Special Handling projects will receive the attention intended in City Council Policy #6-17.

**The Status Of Special Handling Projects
Is Not Adequately Communicated To The City Council**

In promulgating the criteria for Special Handling projects in City Council Policy #6-17, the Council explicitly indicated substantial interest in the type of development projects that qualify for Special Handling. However, the Planning Department has not developed management reports that provide the City Council with sufficient information regarding Special Handling projects.

Currently, the Planning Department sends the City Council a monthly report titled “*Pending Land Use Applications*”. This report shows, by council district, the application type, file number, location, and use. Planning identifies the Special Handling developments by appending "SH" to the file number. This monthly report lists the applications that the Planning Department is currently reviewing. However, the report does not describe the status of each project nor the circumstances that may be delaying the approval of the project applications. All of the City Councilmembers that responded to a City Auditor survey agreed with the statement that “*the Council needs to be formally notified of those projects designated as special projects and regularly informed of each project’s status.*”

In addition, City Councilmembers responded to the City Auditor's survey that it would be helpful to them if they received a monthly status report on Special Handling projects. The Planning Department submits to the City Manager a separate monthly report on the status of Special Handling projects; however, this report is not regularly shared with the City Council. In our opinion, the Planning Department should provide the City Council with a periodic report regarding Special Handling projects. At a minimum, such a report should include a description of each Special Handling project, its completion schedule, and its benefits to the City, as well as any circumstances that may be delaying the approval of the project.

**The Planning Department Has Not Established
More Stringent Processing Time Standards
For Special Handling Process Projects**

City Council Policy #6-17 and the Planning Department's internal procedure requires that Special Handling projects receive "*high priority*". These requirements, plus City Councilmember responses to the City Auditor's survey, evidence that Special Handling projects should be processed faster than regular projects. Our review revealed that while the Planning Department generally processes Special Handling projects faster than regular projects, it uses the same processing time standards for both Special Handling and regular development applications. Absent specific Special Handling processing standards, the Department's performance on Special Handling projects cannot be tracked, measured, and reported separately.

The City Council expects Special Handling projects to be processed in a timely and efficient manner. One of the objectives of City Council Policy #6-17 is “*to ensure that [Special Handling] project review receive a high priority from all departments.*” Furthermore, all of the City Councilmembers the City Auditor surveyed indicated that Special Handling projects should be processed faster than regular applications. Therefore, based on City Council Policy #6-17 and the City Auditor’s survey of City Councilmembers, the City Council expects Special Handling projects to be processed faster than other projects.

In addition, the Planning Department’s internal procedure requires staff to give Special Handling projects top priority. Specifically, the Planning Department’s Special Handling Procedure states:

Special handling projects will be given top priority by the project and environmental review coordinators whenever competing demands for their time are encountered. Top priority will also be given to special handling projects by supervisory and management personnel when processing problems or obstacles are brought to their attention.

APPENDIX E compares the processing times of Special Handling applications to the Planning Department’s 1990 processing time standards. As shown in APPENDIX E, the Planning Department met its processing goals for all but one type of Special Handling project application--Planned Development Zoning. While the Department’s goal was to process 95% of all Planned Development Zoning applications within one year, the Department actually processed 93% of the Special Handling applications within one year. The Planning Department met or exceeded its other processing goals. For example, while the Department’s goal was to process

70% of Site Development Permits within 180 days, the Department actually processed 100% of the Special Handling Site Development Permits within 180 days. With one minor exception, the Department successfully met its processing time goals with respect to Special Handling applications. However, it should again be noted that the Department's Special Handling processing goals are the same as its goals for regular projects.

Even without more stringent Special Handling processing goals, our review of Special Handling applications indicated that the Planning Department has generally processed Special Handling applications faster than regular applications. APPENDIX F compares the processing times of Special Handling applications to the 1990 average processing times of all applications. As shown in APPENDIX F, of the 73 Special Handling applications in our audit scope, 52 were processed faster than the average processing times, 11 were processed slower than the average processing times, and 10 did not have comparable average processing times.

City Council Policy #6-17, the Planning Department's internal procedures, and City Council expectations notwithstanding, the Planning Department has not established separate and more stringent time standards for Special Handling projects. In our opinion, the processing results in APPENDIX F demonstrate that the Planning Department can process Special Handling projects faster than regular projects and that it would not be unreasonable to expect the Department to continue to do so. Accordingly, more stringent Special Handling project processing standards seem appropriate. Further, absent specific and more stringent Special Handling processing standards, the Department's processing of Special

Handling projects cannot be tracked, measured, and reported separately. Furthermore, without specific Special Handling processing standards, the Department can only convey the importance of Special Handling projects to its staff in relative terms, rather than in specific, targetable objectives. As a result, Planning Department staff may not consistently accord the type of special urgency to the processing of Special Handling applications that City Council Policy #6-17 and the Department's internal procedure requires. By establishing separate and more stringent time standards for Special Handling projects and including such standards in its performance measures, the Planning Department can ensure compliance with City Council Policy #6-17 and its own internal procedure.

CONCLUSION

Our review of the Planning Department's Special Handling process revealed that the City Council's expectations regarding Special Handling projects do not match reality. Specifically, we found the following regarding the Administration's Special Handling process:

- Special Handling designations were given to projects that may not qualify;
- There is no formal evaluation for identifying projects that qualify for Special Handling status;
- There is no formal complaint process for Special Handling projects;
- The status of Special Handling projects is not adequately communicated to the City Council; and

- The Planning Department has not established more stringent processing time standards for Special Handling projects.

As a result, designating a development project as Special Handling is not as meaningful as it should be.

RECOMMENDATIONS

We recommend that the Planning Department:

Recommendation #1:

Fully document a project's compliance with the Special Handling criteria before giving the project the Special Handling designation.

(Priority 1)

Recommendation #2:

Develop and use a checklist or other standardized form to document that those projects that may meet the criteria in City Council Policy #6-17 were properly evaluated for Special Handling designation. (Priority 3)

Recommendation #3:

Develop a formal complaint-handling system for Special Handling projects in accordance with City Council Policy #0-18. (Priority 3)

In addition, we recommend that the City Manager:

Recommendation #4:

Designate an independent facilitator of sufficient administrative stature to oversee the processing of Special Handling projects through the Planning Department and other City departments. (Priority 3)

Further, we recommend that the Planning Department:

Recommendation #5:

Develop a periodic report that provides the City Council with additional information regarding Special Handling projects. (Priority 3)

Recommendation #6:

Establish separate and more stringent time standards for Special Handling projects and include such standards in the Department's performance measures. (Priority 3)

FINDING II

THE ADMINISTRATION'S PRACTICE OF DESIGNATING ALL ASSISTED-HOUSING PROJECTS AS SPECIAL HANDLING IS NOT IN COMPLIANCE WITH THE CITY COUNCIL'S POLICY

San Jose City Council Policy #6-17 established specific criteria that the Administration should use to identify those development projects that warrant Special Handling. Our review of the Special Handling process revealed that in November 1990, the Administration made a conscious decision to modify City Council Policy #6-17 so that all assisted-housing development applications would automatically be designated as Special Handling. As a result, as of February 28, 1991, the Administration has designated two assisted-housing projects as Special Handling that did not meet the criteria in Policy #6-17. The Administration should recommend to the City Council that it modify Policy #6-17 to include assisted-housing as a criterion for Special Handling. By so doing, the Administration will have the imprimatur it needs to legitimize its current Special Handling procedure. Absent the City Council modifying Policy #6-17, the Administration should stop designating assisted-housing projects as Special Handling if they do not qualify.

Administrative Modifications To Policy #6-17

City Council Policy #6-17 is explicit in limiting the projects qualifying for Special Handling to those that meet the specified criteria. City Council Policy #6-17 states:

It is likely that only a few projects each year will be of sufficient benefit to the City that they will warrant special handling. Therefore,

it is highly desirable that the criteria used to identify projects to receive special handling be explicitly set forth.

However, the Administration made a conscious decision in November 1990 to modify City Council Policy #6-17 to make an exception for assisted-housing projects. In a memorandum dated November 13, 1990 (See APPENDIX H), the Director of Planning requested and received approval from the City Manager to designate assisted-housing applications as Special Handling. The request was made to confirm an earlier directive to “*automatically designate all projects receiving funding assistance from Housing Department programs as Special Handling projects.*”

**Assisted-Housing Projects Designated
As Special Handling That Did Not Qualify**

Since the Administration’s modification of City Council Policy #6-17 was implemented, two assisted-housing projects, which otherwise would not have qualified for Special Handling, were processed as Special Handling projects. The two projects were the Julian Street Gardens and the Villagomez residence. The Julian Street Gardens required a Planned Development Rezoning to allow up to nine townhouse units on 0.43 acre at the northwest corner of Julian and North Eighth Streets. The Villagomez residence required a Site Development Permit to construct a 2-unit residential building, 1522 square feet and 990 square feet, and two 2-car garages. These project applications do not meet the Special Handling criteria currently specified in City Council Policy #6-17.

The Administration Should Recommend Changes to Policy #6-17

The City Administration considers its modification of City Council Policy #6-17 as necessary in order to implement a recommendation in the Mayor's Task Force On Housing. In October 1988, the Mayor's Task Force On Housing issued its report titled "*San Jose -- A Commitment to Housing*" in which it recommended, among other things, that "*The City ... use land use regulatory policies in support of affordable housing goals, specifically to increase the supply of low and moderate income housing.*" In accepting the Task Force's recommendation, the City Council directed the Administration to "*aggressively implement all land use planning tools that would serve to increase housing supply.*"

The Special Handling process is one tool that can be used to carry out the City Council's policy on increasing housing supply. However, City Council Policy #6-17 is a separate policy and is explicit in its criteria for the selection of Special Handling projects. Therefore, the Administration should recommend to the City Council that it clarify its desire to use the Special Handling process in pursuing its housing policy by modifying Policy #6-17 to include assisted-housing as a criterion for Special Handling. By so doing, the Administration will have the imprimatur it needs to legitimize its current Special Handling procedures. Absent the City Council modifying Policy #6-17, the Administration should stop designating assisted-housing projects as Special Handling if they do not qualify.

CONCLUSION

Our review of the Special Handling process revealed that in November 1990, the Administration made a conscious decision to modify City Council Policy #6-17 so that all assisted-housing development applications would automatically be designated as Special Handling. As a result, as of February 28, 1991, the Administration has designated two assisted-housing projects as Special Handling that did not meet the criteria in Policy #6-17.

RECOMMENDATION

We recommend that the Office of the City Manager and the Planning Department:

Recommendation #7:

Recommend to the City Council that Policy #6-17 be revised to include assisted-housing developments in the criteria for Special Handling. Absent such revision, the Administration should stop designating assisted-housing projects as Special Handling if they do not qualify. (Priority 1)

OTHER PERTINENT INFORMATION

Planning Permit Fees Were Increased To Finance A Special Handling Senior Planner Position

All applicants pay for the Department's Special Handling process regardless of their project's designation as regular or Special Handling. In August 1990, the Planning Department increased fees \$50 for Planned Development Rezoning/Rezoning and for Planned Development Permits. This "*flat fee*" increase was approved to partially pay the salary of the newly created Special Handling Senior Planner position. The resulting revenue from the increases will be \$34,300, or 75%, of the Senior Planner salary. (The Special Handling Senior Planner position has not been filled because of the City-wide hiring freeze.) The \$50 fee increase is charged to all applications regardless of the project's designation as regular or Special Handling. The fee increase represents a range of increase from .1% to 6.7% per permit.

The Planning Department Has Implemented An Informal Recommendation To Notify The Applicant Of His Or Her Project's Special Handling Designation

The Planning Department has revised its Special Handling procedure to implement an informal City Auditor recommendation. The third paragraph of Planning's administrative procedure now states, "*...either before the application is filed or upon the application being filed, the Director will notify the ... applicant (or prospective applicant) ...*" This revision was the result of discussion between City Auditor's staff and Department personnel.